

OCTOBER 20 PAYMENT IS THE FIRST INSTALLMENT FOR FY2004

The first in the 11-payment schedule of school aid payments for FY2004 is being made on Monday, October 20. The payment reflects foundation allowances at the same level as FY 2003 for all districts.

Following immediately below are the data, estimates, and assumptions used specifically for the October payment.

Taxable value figures used in the calculation of the Section 20 and Section 22a state per pupil amounts are the initial tax year 2003 figures provided by the county treasurers on the form DS-4410-A. **Questions concerning the taxable value figures should first be directed to the appropriate county treasurer.**

The **membership blend** used to calculate the October payment is an **estimate**. For traditional public school districts and intermediate districts, the figure used in place of the September 24, 2003 pupil count (which has not yet been received) is the September 25, 2002 count. For public school academies, a preliminary pupil count is being used which was reported on the form DS-4898. These estimates will be replaced by the actual [unaudited] counts, due to the Center for Education Performance and Information (CEPI) by November 12. Questions concerning **membership** should be directed to Joellen Wonsey in the Office of State Aid & School Finance at (517) 373-3352 or WonseyJ@Michigan.gov

A few **categoricals** have been “rolled over” for the October payment, meaning that the beginning FY 2004 allowance amounts are identical to the amounts awarded in FY 2003. These amounts may be refined and adjusted as the payment year progresses. **“Rolled over” categoricals** include: Court Placed Pupils (24), ISD Center Program FICA & Retirement (51a(8)), Vocational Education (61a), and ISD General Formula (81).

Categoricals with updated allocation amounts include: School Lunch (31d), Michigan School Readiness Program (32d), Special Ed Rules Changes (51a(6)), Special Education (53a), and Bus Driver Safety (74). As an estimate for **Adult Education** (107), the allowances reflected in October are equal to 26.67% of the amount the district or consortium received in Section 107 Adult Education funds in FY 2002. Questions on the Adult Education payment calculation can be directed to Joellen Wonsey at (517) 373-3352 or WonseyJ@Michigan.gov. Questions about Adult Education program operations should be directed to Diane Duthie in the Adult Education Office at the Department of Career Development at (517) 373-8800 or DuthieD@Michigan.gov.

Prior Year Adjustments in the October payment include (but are not limited to) restoration of FY 2003 deductions in At-Risk (31a) for districts whose FY 2003 annual reports were received by September 30; and restoration of the 5% state aid deduct for noncompliance with Immunization Requirements (167) for those districts successfully reporting that required information. Most prior year adjustments that result from updated pupil counts and/or taxable value figures will not be made until the November or December payment. Please note that, in general, prior year adjustments are made at 100% when they first appear (rather than in “installments” spread over the payment year).

GENERAL INFORMATION REGARDING FY 2004 SCHOOL AID

The current year **foundation allowance** for FY 2004 is equal to the FY 2003 foundation for all districts. (“Hold harmless” districts continue to have a 20j per pupil amount equal to \$1,038 minus the sum of the increases in the district’s foundation since FY 1999.) The FY 2004 basic foundation allowance is \$6,700. The maximum foundation allowance for a Public School Academy (PSA) is \$7,000.

The **Section 22a Proposal A** state amount per pupil is calculated as the district’s FY 1995 foundation allowance minus the FY 2004 local revenue per pupil. The denominator used for the local revenue is the total

state aid membership (both general education and special education pupils). For hold harmless districts for whom the hold harmless millage no longer would generate the hold harmless portion of their foundation allowance, additional funds are added to meet that amount. The Section 22a per pupil amount is multiplied by the district's total FY 2004 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2004 special education costs multiplied by .286138 plus the district's FY 2004 special education transportation costs multiplied by .704165. Keep in mind that **prior year cost numbers are used as estimates** until actual cost figures are obtained, at which time adjustments are made.

Continuing the payment mechanism that began in FY 2001, rather than making foundation allowance and special education payments under Sections 20, 20j, and 51a, the amounts calculated under those sections determine the payment amount under Section 22b. After making payments under Sections 22a and 51c, the **Section 22b discretionary payment** is paid, which is equal to the sum of the amounts calculated under Sections 20, 20j, 51a(2), 51a(3), and 51a(12) minus the amounts paid in 22a and 51c. The formulas used in the calculations under 20, 20j, 51a(2), 51a(3), and 51a(12) have not changed for FY2004.

The **membership blend** for FY 2004 is 20% of the February 12, 2003 supplemental count and 80% of the September 24, 2003 pupil count, with the same exceptions for PSAs in their 1st or 2nd year (50%-50% blend of the two *current year counts*) and for districts with a new grade level(s) (50%-50% current year blend *for pupils in the new grade level(s)*) as we have had in the past. Language remains in Section 6(4)(y) which allows for a three-year average blend for declining enrollment districts, but only for those with 4.5 or fewer pupils per square mile. This language applies to **both lower and upper peninsula districts**. If a district with 4.5 or fewer pupils per square mile would have a membership blend of less than 1,550 FTEs using the 20%-80% approach, that figure is replaced by the average of the current and two immediately preceding year blends if the average provides a greater number. **The formula for calculating the three year average blend is a straight average of the three 20%-80% blends as opposed to using any prior year three-year average blends in the calculation.** Language in Section 6(4)(y) continues which allows a district educating pupils in grades 9 to 12 who reside in a contiguous district that does not operate grades 9 to 12 to request that the Department use the square mileage of both districts in determining the number of pupils per square mile. **NOTE:** Eligibility will be determined automatically as a part of the payment calculation. A listing of the square mile area of all districts is on the MDE web site at www.michigan.gov/documents/squaremiles_11742_7.pdf

Instructional time requirements for FY 2003 remain at 1,098 hours. However, there is **no longer a requirement to be in session a minimum of 180 days**. The provision allowing a district to count up to 51 hours of teacher professional development time as pupil instruction continues. Exceptions to the hours requirement include:

- < *kindergarten pupils*, who are required to be provided 549 hours;
- < *pupils with study halls*, who are required to be provided 1,188 hours; and
- < *high school pupils with an approved reduced schedule*, who are required to be provided 878.4 hours.

Also, up to 3 hours per week of *travel time between instructional sites* can be counted as instructional time for certain pupils; additional travel time may be waived by the Department under certain circumstances. (Joellen Wonsey, (517) 373-3352 or WonseyJ@Michigan.gov)

The payment schedule continues to provide state school aid payments on the 20th of each month from October through August at 1/11th of the annualized amount being paid on each of those dates. When the 20th of the month falls on a non-business day, the payment will be made on the **immediately preceding business day**. The July and August payments must be accrued to the immediately preceding school fiscal year. The FY 2004 payment dates will be on the 20th of each month except for the following dates: Friday, December 19, 2003; Friday, March 19, 2004; and Friday, June 18, 2004. In addition, payments to or on behalf of *Durant* non-plaintiffs will be made on Friday, November 14, 2003, and Friday, May 14, 2004.

Categoricals maintained at their FY 2003 levels include, but are not limited to:

- C At-Risk Pupils (31a), \$310,457,000
- C Michigan School Readiness Program (32d), maintained at \$72.6 million.

Categoricals reduced from their FY 2003 levels include, but are not limited to:

- C Court Placed Pupils (24) \$8,000,000;
- C Gifted and Talented (57) \$250,000;
- C Career Preparation (68) \$1,000,000;
- C Math and Science Centers (99) \$2,500,000;
- C Adult Education (107) \$20,000,000;
- C Program for Adult Learning (108) \$1,000,000.

Categoricals eliminated for FY 2004 include, but are not limited to:

- C Golden Apple (96);
- C Michigan Model for School Health (99a).

SECTION 56 AND 62 ISD MILLAGE EQUALIZATION INFORMATION

ISDs receiving Section 56 (Special Education Millage Equalization) and/or Section 62 (Vocational Education Millage Equalization) funds will note that the allowances are prorated more than in recent years. That is the result of two additional ISDs now levying a vocational education millage and some ISDs significantly raising their special education millage. The proration factors are provided below. (Dan Hanrahan, (517) 335-0521 or HanrahanD@Michigan.gov)

OTHER STATE PAYMENT AMOUNTS APPEARING ON BANK STATEMENTS

The Office of State Aid & School Finance continues to receive calls from school district personnel unable to reconcile bank statements that show amounts being deposited in payments from “the State of Michigan.” Please be aware that all state agencies (in addition to MDE) are now able to make electronic fund transfer (EFT) payments to districts. EFT payments made to school districts from the state school aid system are reflected on the monthly state aid financial status reports. However, the **remittance advice for other state EFT payments can only be found on the Michigan Department of Management and Budget web site at www.cpexpress.state.mi.us**. There is a toll free help number at (888) 734-9749 to assist you. It is critical that someone at each district familiarize him- or herself with this web site as it is also the mechanism that districts use to make changes to their electronic fund banking instructions and/or address.

IMPORTANT DATES TO REMEMBER

- C Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils in grades K-12 who enrolled in the district or ISD for the first time between January 1 and September 30, 2003. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov)
- < The **FY 2004 SRSD Records (including State Aid FTE Counts)** for the September 24, 2003 count date are due to ISDs on **October 29** and from the ISDs to CEPI on **November 12**. (Mark Gover (517) 373-2469 or GoverM@Michigan.gov)
- C **November 1** is the deadline for local districts (including PSAs) to file their **FY 2003 financial audit reports** with the ISDs. The **financial and pupil accounting audit reports** are due **November 15** from the ISDs to the Department. Failure to file these reports will result in the withholding of state aid. (Kathy Weller, (517) 335-6858 or WellerK@Michigan.gov)
- C The **FY 2003 Form B - Annual Comprehensive Financial Report** is due from local and intermediate districts to CEPI by **November 15**. Failure to file these reports will result in the withholding of state aid. (Glenda Rader, (517) 335-0524, RaderG@Michigan.gov)

- C The proration factor for **Section 31a - At Risk** funding is \$98.8144821027 per pupil. The proration factor for **Section 56 - Special Education Millage Equalization** is .790360821. The proration factor for **Section 62 - Vocational Education Millage Equalization** is .9664155575.

GENERAL INFORMATION

- C The new “bid threshold” (the base amount above which competitive bids must be obtained for remodeling and procurement of supplies, materials, and equipment) for FY2003 is **\$17,932**. (Glenda Rader, (517) 335-0524, RaderG@Michigan.gov)

*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov.